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## PRESTIGE VALUE.

"**A**LWAYS and everywhere," says Professor Clark, "there is present to the mind that makes a valuation, the conception of a concrete thing, of a quality of that thing, and of the quantitative measure of that quality." The concrete thing is that which satisfies a want, or what is called a good. The quality of the thing that renders it capable of satisfying a want, that makes it a good, is its usefulness, or utility. As some goods are more useful than others, usefulness is a question of degree. It is consequently necessary to employ some quantitative measure to indicate the degree of utility. This is the function of value. Thus value, according to Clark, "is the quantitative measure of utility," or, to borrow Wieser's phrase, "value is the calculation form of utility." Not the measure or calculation form of absolute utility, however, as this in the very nature of things is immeasurable and incalculable, but the measure or calculation form of effective, or what is more familiarly known as marginal, utility. In the generic, therefore, value may be defined as the measure of marginal utility.

Now utility implies a relation between man and his economic environment, between want and the possibility of satisfaction,—in a word, between demand and supply. Or, to define the situation more precisely, we may say, with Professor Tuttle, utility expresses the qualitative weal-relation between man and his economic environment. It is accordingly the function of value to measure this qualitative weal-relation in quantitative terms. Furthermore, as we are dealing with a relation, the measurement must be made from both ends,—from the subjective standpoint of human wants and from the objective standpoint of economic goods. Thus, regarded subjectively, value indicates the importance a person attaches to the possession of a good for any particular purpose; while, objectively considered, value expresses the capacity or power the good possesses to fulfill such purpose.

However deflected, or even distorted at times, well-being is

the ultimate goal of man's economic activities. For whatever special reason we attach importance to the possession of goods, or to whatever particular purpose the goods themselves are applied, in last instance all our valuations are made with reference to well-being. In the generic, therefore, value regarded from the subjective side indicates the importance a person attaches to the possession of a good with a view to augmenting his well-being; and value regarded from the objective point of view indicates the power or capacity of such good to minister to a person's well-being.

Within this generic concept, however, are contained particular kinds of value, or modes of valuation. This is the case because there are different kinds of utility to be measured, as well as different degrees. That is to say, not only are some goods more useful than others, but, furthermore, the self-same good may be put to different uses. Aristotle was the first to recognize the significance of this fact, and instanced at least two uses to which one good might be put. "Of everything we possess," said he, "there are two uses: both belong to the thing as such, but not in the same manner; for one is the proper, and the other the improper or secondary, use of it. For example, a shoe is used for wear, and is used for exchange: both are uses of the shoe. He who gives a shoe in exchange for money or food to him who wants one does indeed use the shoe as a shoe; but this is not its proper or primary purpose, for a shoe is not made to be an object of barter." What, then, in this instance, is the effective or marginal utility of the shoe, wear or exchange? It depends upon the point of view. Regarded from the consumer's side, shoes are certainly made to wear; but from the producer's standpoint shoes are also made to sell. Wear is without doubt the primary use, for the wearing of the shoe ministers directly to the wearer's well-being; but exchange is evidently a secondary use, for selling the shoe contributes indirectly to the seller's well-being. The two utilities might possibly be reduced to a common denominator, and the final utility of the shoe expressed in terms of well-being; but such is not the usual procedure. For practical purposes two measures of utility are employed, one for the consumer and one for the producer. Or, as Adam Smith said, "The

word **VALUE**, it is to be observed, has two different meanings, and sometimes expresses the utility of some particular object, and sometimes the power of purchasing other goods which the possession of that object conveys. The one may be called "value in use"; the other, "value in exchange." Applying the general formula, then, to these particular modes of valuation, use value and exchange value may be defined as follows: Subjectively considered, use value indicates the importance a person attaches to the possession of a good for the satisfaction of an immediate want; while, objectively regarded, use value expresses the power or capacity of the good to satisfy such want. Similarly, exchange value, subjectively considered, indicates the importance a person attaches to the possession of a good for the purpose of purchasing other goods; and, objectively regarded, exchange value expresses the capacity of the good to obtain other goods on the market, or, more simply, the purchasing power of the good.

All this is familiar enough, and merely presented by way of introduction. My purpose in this paper is to consider a third form of value, which, though generally recognized, has not to my knowledge been dignified by a name. Between use value and exchange value I wish to interpolate the term **PRESTIGE VALUE**, and show, first, the logical and, next, the historical justification for the addition.

In order to establish this third form of value, it will be necessary to go back over the argument and make a further analysis of the different kinds of utility. The word "use" chosen by Aristotle, continued by Adam Smith, and recently re-established by the Austrian school of economists, is ambiguous. In a broad sense, all goods are made to use. Use is, in short, the ultimate purpose of goods, since it is through the use of goods that well-being is secured. Nevertheless, within this general category there are different kinds of uses to which goods may be put, each of which ministers in its particular way to well-being. Personal use is one of these; that is to say, goods may be used to satisfy immediate wants. Shoes, to take Aristotle's example, are used to wear. Exchange is another, a secondary use, to be sure; but still, as Aristotle said, exchange is certainly a use of the shoe. Now

the question I wish to raise is, Are these two the only uses to which goods can be put? As far as shoes and such commodities are concerned, yes. If perchance one possesses more shoes than one can wear (the number is limited, though the Empress Elizabeth is said to have possessed five thousand pairs), there is nothing one can do with the extra pairs but barter them for other goods; and, if exchange is impossible, such surplus commodities can only be cast aside or given away. But there are other goods, "both lasting and scarce and so valuable to be hoarded up," as Locke defined them, which one likes to accumulate beyond the point of personal consumption, even though one has no thought of exchange. To instance a few examples, cattle and land served this purpose in the past, precious stones and metals have always been hoarded up, and nowadays men accumulate collections of various kinds of curious things. But if not devoted to immediate consumption, nor necessarily employed in exchange, of what use are these goods? in what way do they minister to well-being? To answer this question, we must shift our standpoint, and approach the problem from the subjective side.

Goods are used because satisfaction is derived therefrom. Personal use affords direct satisfaction,—the satisfaction of immediate consumption. Exchange, on the other hand, affords indirect satisfaction; that is to say, the good that is sold affords satisfaction only through the acquisition of the good for which it is exchanged. Now, if these were the sole satisfactions to be derived from the use of goods, then exchange would be carried on only to the extent necessary to satisfy the immediate wants of the exchangers. One would buy and sell, in other words, only in order to consume; and, when one's immediate wants were provided for, one would cease to exchange, or retire from business, as the modern phrase goes. But this is not the custom of the commercial world. Man is, of course, in first instance a consumer, and, therefore, in normal circumstances, also a producer. As soon as his immediate wants are satisfied, however, the ordinary individual usually desires to become a proprietor. This end was formerly reached through production alone, but in modern circumstances the process is facili-

tated by exchange. As a result, man is not nowadays an exchanger simply because he is a consumer, but more particularly because he desires to become a proprietor. The fact is, one of the main motives making for industrial progress consists in what Mill called "the effective desire of accumulation." If not from the first, at least from very early times, man has been impelled to economic activity by his apparently insatiable desire to accumulate wealth, to become the possessor of property, and be accounted rich among his fellows. This "prestige of proprietorship" is no doubt an outgrowth of the instinctive desire to satisfy one's immediate wants; but in the course of time it has become so differentiated as to constitute a distinct ideal, an additional spur to economic activity,—so much so, indeed, that proprietorship may be considered a separate source of satisfaction, to be distinguished, on the one hand, from the immediate satisfaction of personal consumption, and, on the other hand, from the mediate satisfaction derived indirectly through exchange.

If, then, satisfaction is derived from the mere possession of property, from the sheer sense of proprietorship, there are evidently three uses to which goods can be put, and not simply two, as Aristotle and Adam Smith supposed. Goods may be used, in the first place, to satisfy immediate wants; goods may be used, in the second place, to augment the prestige resulting from proprietorship; and goods may be used, in the third place, to purchase other goods on the market. Furthermore, the goods acquired through exchange may in turn be devoted to immediate consumption, to proprietorship, or to further exchange, as circumstances suggest. If they are devoted to further exchange, then again the goods thus acquired may be devoted as before to immediate consumption, proprietorship, or still further exchange; and so on indefinitely, increasing consumption and expanding proprietorship continually stimulating exchange.

Whether goods be devoted to immediate consumption, to proprietorship, or to exchange, their utility in each instance is a question of degree, and can consequently be measured in quantitative terms. The marginal utility of goods devoted to immediate consumption is measured by use value: the mar-

ginal utility of goods for sale on the market is measured by exchange value. What, then, of the marginal utility of goods accumulated for the sake of proprietorship? This utility also is measured. But, as I said at the outset, though the standard has long since been accepted, prestige value has not as yet been separately defined. It is not a difficult matter to define, however; for the facts of every-day life, as well as the records of history, all go to substantiate the term. With a view, then, to distinguishing this third measure of utility from the other two, we may begin by applying the general formula, this time to the concept of prestige value.

Subjectively considered, prestige value indicates the importance a person attaches to the possession of a good not primarily for immediate consumption, nor again for the purpose of exchange, but simply for the sake of proprietorship. Importance is attached to the possession of the good in this instance not because the proprietor desires to use the good himself to satisfy an immediate want, nor because he wishes to purchase other goods therewith on the market, but rather because he hopes by the possession of the good to raise his social position, to add to his dignity, or augment in any way his prestige. For example, the patriarch of old gloried in the number of his herd, the mediæval proprietor prided himself upon the extent of his estate, and nowadays the millionaire derives similar satisfaction from the contents of his security box. In such cases it is neither the exigencies of consumption, nor the "propensity to truck, barter, and exchange" that determines value, but the importance of proprietorship and the prestige that it brings. So, likewise, the well-to-do farmer, or the successful mechanic, sets store by his front parlor, with its lace curtains, its organ, its parlor suit, not because—on Sunday evenings, perhaps, excepted—he uses the room (during the rest of the week he lives in the kitchen, "apart from his furniture," as Meredith so quaintly expresses it), not because he has any thought of disposing of its contents, but simply because such surroundings indicate a distinct standard of life and establish his prestige among his neighbors. Cowboys set store by their expensive outfits, consisting of fine felt sombreros, high-heeled boots, and ornate saddles; scholars

attach importance to their various degrees; officers value their multitudinous titles and orders. These, and other goods too numerous to mention, possess value, not because they can be exchanged, but because their possession implies power.

Regarding the concept from the objective side, prestige value expresses the capacity of certain goods to contribute in this way to a person's prestige. It is not necessary, however, to think of a distinct class of goods that possess prestige value alone. Value is merely a circumstance of things, and one or more of its forms may perfectly well adhere to the same good. That is to say, as one good may possess several qualities of satisfying wants, so these several qualities may be differently measured. The shoe, to use the same example, since it may either be worn or exchanged, possesses both use value and exchange value. In the same way prestige value may adhere to goods that possess use value and exchange value, or it may be a circumstance of things that have no value on the market, or again, in some few cases, prestige value may prevail by itself.

From the fact that proprietorship is, after all, an indirect use of one's possessions, it follows that goods that possess prestige value usually possess use value as well. But this is not necessarily the case. Collectors, for instance, attach importance to the accumulation of practically useless things, such as cancelled stamps, old coins, and the like. So also the South Sea Islander prides himself upon the number of human heads he has stuck up about his abode, and the American Indian glories (or once gloried) in the number of scalps that swing from his belt,—not because heads and scalps in this detached state are of any immediate use, but because their possession adds to the warrior's prestige. But, for the most part, it can be said proprietorship is not extended over things that have no independent use value. True, a very small portion of the proprietor's possessions may be immediately used by the proprietor himself. The patriarch, for example, enjoyed but a small fraction of the product of his herd, and the feudal lord consumed but a portion of the produce of his estate; the remainder in both instances was devoted to the support of dependents, vassals,

retainers, and the like, because an entourage of such sort established the proprietor's prestige. And in our day, too, many multi-millionaires, though they surround themselves with luxuries of all kinds, find it difficult to spend their incomes on themselves. Hence the growing custom of applying the surplus to the improvement of social conditions by founding libraries, endowing hospitals, and establishing educational institutions. Such outlays, in the form of liturgies, were compulsory in ancient Greece, and are becoming in a way demanded by public opinion to-day. Then, as now, public endowments indicated a man's position in the world and established his prestige among his fellow-citizens. Without pursuing further this phase of the subject, the following conclusions seem plain: that, with the growth of property, prestige value attaches itself in the first place to goods that possess use value; and that, while still adhering for the most part to such goods, proprietorship soon becomes of importance in itself because of the growing prestige that the possession of property affords.

Whether goods that possess prestige value also possess exchange value depends entirely upon circumstances. Exchange value is at all events not a necessary incident of prestige value. In modern commercial societies, it is true, most goods that go to establish a man's prestige are also on the market,—with the exception, of course, of dignities, honors, orders, titles, degrees, and the like,—though there are lamentable instances of these being bought and sold. Still, the modern adage, "Everything has its price," does not even to-day apply to quite all our possessions. We all attach importance to the possession of articles we do not use, which we could not sell if we wanted to, and which we would not sell if we could. These goods, as every one knows who has seen an estate auctioned off, possess little or no exchange value; but of their prestige value to the original owner there can be no manner of doubt. But the point is better proved by turning our attention to the past. Before commercial societies were established, proprietors certainly existed who prided themselves upon their possessions. Nowadays, to be sure, cattle come on the market, and even ancestral estates are sometimes put up for sale. But these are

modern phenomena. In former times, and in some parts of the world to this day, neither herds nor land possessed exchange value. To ask a landed proprietor of the old school how much he would take for his estate would be to offer him an insult. Indeed, to the typical proprietor the very thought of exchange was distasteful. Witness, for example, Aristotle's stigma on retail trade, merchants, markets, money, usury, and the like; or the scornful attitude of the feudal barons to the Jewish merchants and money-lenders of the Middle Ages; or, again, the antipathy of the Southern planter towards the Yankee trader. Still, all these proprietors prided themselves upon the extent of their property, and attached importance to their possessions because of the prestige they afforded. It is evident, therefore, that prestige values may prevail, and for a long time actually did prevail, where exchange values were either unknown or entirely subordinate.

Therefore — going makes it clear — does it not? — that in our valuations we are in the habit of employing three separate standards,—use, prestige, and exchange; that, as there are three more or less distinct uses to which goods can be put, or three kinds of utility, so there are three more or less definite modes of measuring such utility, or three kinds of value. To sum up the situation so far as we have gone, regarding the series from the subjective side, men may be said to attach importance to the possession of goods for three reasons,—for the satisfaction of immediate wants, for the prestige of proprietorship, and for the purpose of exchange. Or, regarding the series from the objective side, goods may be said to possess three kinds of economic power,—the power of satisfying immediate wants, the power of contributing to prestige, and the power of purchasing other goods on the market.

From the instances offered by way of illustration, it should also be evident that concomitant circumstances determine the particular forms of value that adhere to goods, or the different modes of valuation applied. Use values prevail in all circumstances,—in all circumstances, at least, that are economic. Man must always see to the satisfaction of his immediate wants. Whether he be an isolated producer or a mere unit of a complex social organization, he will, if the supply be

in any way restricted, always attach importance to the possession of such goods as satisfy his immediate wants. But, for prestige values to arise, man must live in some sort of community with his fellows. He will not be inclined to accumulate goods beyond his immediate wants unless such accumulation contributes to his prestige; and this can only occur where there are dependents, associates, or at least neighbors, to be impressed by the extent of his possessions. Finally, for exchange values to appear, there must be more than a mere community. The society in which man lives must have become differentiated. There must be what Adam Smith called division of labor, or what Mill spoke of as the separation of employments; for only in such circumstances is the market established and money introduced to indicate the amount of exchange value. Thus exchange value is not a phenomenon of society in general, but of commercial society only.

To set in relief the clear-cut distinction between these three kinds of value, each of us has only to conceive himself in different sets of circumstances. In every-day life it is difficult for us to classify our possessions according to the kinds of value they acquire; for use value, prestige value, and exchange value overlap. But, if we think of ourselves beyond the reach of exchange,—in a beleaguered city, for instance, from which commerce with the outside world has been cut off and internal trade prohibited by military orders,—we recognize at once that we should only attach importance to the possession of such of our goods as satisfied our immediate wants and kept up our established position among our townsfolk. That is, exchange values would be eliminated under such conditions, and only use values and prestige values would remain. Or, if we place ourselves in fancy isolated from our social surroundings, with our guide in the heart of the forest, for instance, or, like Crusoe, alone with our man Friday on a desert island, it is clear we should only attach importance to the possession of such goods as ministered directly to our wants. In this case, prestige values would disappear, as prestige depending upon wealth would be ridiculous with no one to be impressed with our grandeur; and use values alone would remain.

The natural sequence of the three forms of value is suggested by following the development of the several concepts in our own minds. We may not be able to recollect the purely use value stage of our careers; but observation of infants who cry for their food, or appeal to our parents, will convince us that there was a time in our lives when we attached importance to the possession of goods simply because they satisfied our immediate wants. The proprietary period is well within the memory of all of us, when as boys we prided ourselves upon the possession of marbles, tops, knives, stamps, and a miscellaneous collection of odd and curious things that established our prestige among our playfellows. Or, if recollection fails to visualize this interesting stage of our career, a perusal of the immortal pages of *Tom Sawyer* will serve to refresh our memories. Girls also pass through this stage, only their collections are differently constituted; and, indeed,—except in this land of ours, and even then only in some few cases,—most women remain upon the prestige stage, and have but the dimmest conception of exchange values. But with men it is different. As they are thrown out into the business world and meet other men in the market-place, they soon learn to realize the "value of money," and from contact with the constant competition of buyers and sellers rerate their possessions in terms of exchange value and set a price upon almost everything they own.

If the life of the individual may be taken to be an epitome of that of the race, it would seem that the three forms of value succeeded each other during the course of industrial development in the order named. This can be shown to be the case by referring to the facts. Indeed, were the question merely one of analysis, it would be scarcely worth while to distinguish between the three forms of value, for each can be rated ultimately in terms of well-being; and, besides, under existing conditions, money, the standard of exchange value, serves in its way to measure use values and prestige values also,—even to the extent, in damage suits, of measuring the value of life and limb. In truth, the real significance of the three forms of value is historical: it is the sequence of the concepts rather than their logical distinction that is of import-

tance. But so many pages have already been devoted to the analysis that I shall merely indicate by a cursory survey of the course of industrial development the natural order of the evolution of value.

So far as use values and exchange values are concerned, the historical sequence has long since been recognized. Aristotle, Adam Smith, and other writers have already pointed out that use values come first in time, and that exchange values are a later development.

Thus, according to Aristotle, there are two kinds of economies, which in the ordinary course of events succeed each other: the "natural economy," in which use values predominate and every one produces what he himself needs; and the "unnatural economy," in which exchange values prevail and one person produces what another person needs. The transition from the simpler to the more complicated economic system was effected, he said, through the growth of barter, which in turn was derived from the separation of employments. As exchanges multiplied in number and increased in extent, it was found convenient to adopt a common measure of value and medium of exchange. The precious metals were everywhere employed for this purpose, their value being first determined by size and weight and then stamped on their face as coin to pass henceforth by tale. In this way retail trade was established, which Aristotle defined as "the art of producing wealth, not in every way, but by exchange. And it seems to be concerned with coin; for coin is the beginning of exchange, and the measure or limit of it. And there is no bound to the wealth which springs from this art of money-making." Subsequent investigations have substantiated Aristotle's conclusions. Sporadic instances of barter are, as he said, to be discovered among many savage people. Indeed, even as far back as the stone age we find evidences of stations for the exchange of certain commodities, such as flint, shells, salt, and so forth. But such exchanges, being solely for the purpose of immediate consumption, led to no development of exchange values. Among the barbarian nations which later controlled the inland countries—the Scythians and Tartars of Asia, the Aztecs and Incas of America, the European conquerors of the Dark Ages—

exchange was likewise for many centuries of minor importance, being carried on for the most part by foreign merchants, who penetrated into the interior from commercial centres established upon the seacoast. It was here, as Adam Smith remarked, "upon the seacoast and along the banks of navigable streams that industry of every kind naturally began to subdivide and improve itself, and it was frequently not till a long time after that these improvements extended themselves to the inland parts of the country." To mark the beginnings of exchange values, we must consequently look to the commercial centres of the south, and, so far as Western civilization is concerned, in particular to the cities established along the Tigris and Euphrates valley and around the Mediterranean seaboard. Markets were established in these centres; and, with the development of trade, handicraft became freed from its feudal filiations, to be carried on henceforth by independent colleges and guilds. Money was introduced, and production for exchange became an established fact. To follow this transition in detail would carry us too far afield. Suffice it to say that these historical facts — the separation of employments, the institution of the market, and the use of coined money — mark the introduction of exchange values into Western civilization. The development of the concept may consequently be taken as coincident with the rise of what is known as the Commercial Era of industrial development.

Is it possible to go still further back and separate prestige values from use values in a similar way? Assuredly, only another series of historical phenomena must be taken into account. For prestige values to arise, there must, as I have said, be some sort of social organization. But this of itself is not enough. Prestige value is not as old as society itself. Within the society there must besides be something "both lasting and scarce, and so valuable to be hoarded up," — one or more commodities the accumulation of which is advantageous. In the earliest communities there were few commodities of this kind, for the simple reason that natural resources were free, and almost all articles freely reproducible by labor alone. Goods being acquired mainly for immediate consumption, their utility declined rapidly with accumulation. More than

enough for immediate consumption might of course be produced; but, since any one could by his own labor increase his supply, no special prestige attached to the possession of a surplus. In these early days, therefore, men worked enough to satisfy their immediate wants as far as possible; but there was little or no motive making for the accumulation of wealth, property contributing next to nothing to their prestige. Under such conditions, men were respected for their capacity rather than for their possessions. The hunter, for instance, acquired prestige, not from the number of his implements of the chase, but for their quality and for the skill with which he used them. And so it was in regard to the accumulation of things in general. Extra huts, supplies of blankets, surplus food, and so forth, except in exceptional circumstances, added next to nothing to primitive man's prestige, inasmuch as his fellows, if they chose to exert themselves thus unnecessarily, could secure a similar supply. In primitive times there were very few things "both lasting and scarce, and so valuable to be hoarded up." In fact, wives, slaves, trophies, and ornaments about sum up the list. Furthermore, as wives and slaves were, under the then existing conditions, only to a limited extent self-supporting, even their utility declined as their numbers increased. As a result, trophies and ornaments alone were really worth while accumulating; and, as these articles could only be applied to the decoration of the person and the abode of the possessor, their number was likewise limited. On the whole, therefore, in what philosophers have called "the natural state," or what we know as the condition of savagery, both prestige values and exchange values were practically at a minimum, and use values predominated.

With the appropriation of natural resources for pastoral and agricultural purposes the situation was essentially changed. The herd constituted a monopoly good from the start, as domestication took time; and, where agriculture could only be carried on in certain localities,—along irrigated valleys, for example, in oases, or about the shores of lakes,—land, too, became a monopoly good. Those in possession of domesticated herds or cultivated fields consequently acquired an advantage over those who had only their labor to rely on. Indeed, as

appropriation proceeded, the monopoly advantage became such that the proprietor was in a position to compel the non-owner to labor for him on the upkeep of his property. From the proceeds of his estate he could henceforth live in luxury and support slaves, vassals, retainers, and wives without any extra burden of production falling to his share. And, as a further result (of importance from what will follow), articles of adornment might be put to far more extensive uses in the form of treasure in accentuating the grandeur of his estate. The larger the patriarch's herd or the more extensive the landlord's estate, the greater the prestige of proprietorship and the more powerful his position in the world. Not to go any further into details, it is evident, therefore, from what has been said that the appropriation of natural resources for pastoral and agricultural purposes—which is also a well-authenticated historical fact—gradually introduced a new economic era, which, because characterized by the prestige of proprietorship, may be spoken of as the Proprietary Period.

Thus by taking these two series of historical phenomena into account (first, the appropriation of natural resources for pastoral and agricultural purposes, and, second, the separation of employments, the institution of the market, and the introduction of coined money), the course of industrial development may be plotted off into three sections,—the natural state, the proprietary period, and the commercial era, each of which is characterized by the prevalence of a special form of value. In the natural state, use values predominated; during the proprietary period, use values were supplemented by prestige values; when the commercial era was instituted, exchange values also entered in. Coming last in the list, and not second, as Aristotle supposed, exchange values served to supplement prestige values as much as, if not more than, use values. That is to say, the proprietary instinct being by this time fully developed, the rising class of merchants entered into commerce not so much to satisfy their immediate wants as to increase their possessions, and so rival in wealth and importance the older class of landed proprietors. Success, it may be said, has everywhere attended their efforts, until in our day exchange is no longer the by-path, but the high road to social position and personal and political prestige.

Two further points may be referred to in conclusion: first, the effect of proprietorship in establishing the existing standard of value; and, second, the effect of proprietorship in determining the modern medium of exchange.

In the generic, value measures the amount of well-being to be derived from the consumption of goods under the particular conditions of demand and supply; or, to revert to Clark's definition, value is the measure of marginal utility. Now, to measure anything in quantitative terms, some standard must be employed in units of which the amount measured may be expressed. For the measurement of extension we have the standard foot, yard, mile, etc.; for measuring weight, the ounce, pound, ton, etc.; for measuring capacity, the quart, gallon, bushel, etc. What, then, is the standard of value, and in what units may its amount be expressed? As, in last instance, value measures the weal-relation between man and his economic environment, well-being must be accepted as the ultimate standard. But the difficulty is, well-being of itself is not immediately measurable. True, one may indicate the general amount of well-being: one may say, for example, "I have had a good time, a mighty good time," or even "an awfully good time"; but one cannot state just how much well-being,—one cannot say for instance, I have had a ten, fifteen, or twenty good time! There is, however, an indirect way out of the difficulty. One may choose some standard commodity that normally and regularly contributes to human welfare, some good whose utility is at all times and to all persons about the same, and express the amount of well-being in its terms.

These conditions confine the choice of the standard to a certain class of commodities. Goods that possess use value alone are excluded for two sufficient reasons. In the first place, use values are particular and individual: what is valuable to one person may not be valuable to another. All depends upon the individual conditions of demand and supply. Then, again, as use values measure the utility of immediate consumption, they decline very rapidly with every increase of supply, and are therefore not the same even for one person at all times. In short, the marginal utility of goods devoted to immediate consumption varies extremely from individual to

individual, and also in the case of one individual from one time to another. Consequently, no commodity that possesses use value alone can be accepted as a standard.

With goods that possess prestige value it is different. Any one of these may be chosen as a standard, for the reverse of the two reasons that excluded the purely use value commodities. In the first place, prestige values are not particular and individual, but general and social. All the members of any community attach about the same importance to the possession of the goods that contribute to social prestige; and those goods, consequently, possess the power of contributing about equally to every one's prestige. In fact, as far as the sheer possession of property is concerned, man has long since shown himself to be an insatiate; and so, unlike goods devoted to immediate consumption, proprietary goods maintain their value under accumulation. In short, prestige values in any community do not vary much from person to person, nor for one person do they vary greatly from time to time. Therefore, any commodity that possesses prestige value may perfectly well be chosen as a standard.

Turning to the historical facts, we shall find these were just the commodities selected for the purpose. In the natural state, as we have seen, there were few commodities whose accumulation was advantageous because of the prestige they accorded. When natural resources were free, and no one possessed any monopoly advantage over his fellows because of his property, production was limited by the demands of immediate consumption, and utilities declined very rapidly with accumulation. As long as—or more properly, perhaps, to the extent that—such conditions prevailed, the notion was but slightly developed in men's minds that the mere number of goods in a man's possession measured the amount of his well-being. Only after the appropriation of natural resources for pastoral and agricultural purposes did this concept become an active and dominant one. Henceforth the accumulation of certain commodities was advantageous because of the prestige they accorded. Thus, as monopoly advantages were acquired in domesticated cattle and cultivated fields, the control of a large herd, the possession of an extensive estate, the

maintenance of a numerous household, and the accumulation of treasure, all added to the proprietor's prestige and so augmented his well-being. Nor, indeed, did the utilities of these goods decline, except very slowly, with an increase of supply; for, generally speaking, the larger the herd, the more extensive the estate, the more numerous the household, and the richer the treasure, the greater the prestige of proprietorship. Furthermore, as such prestige was essentially social, every one recognized that the goods in question possessed this power of contributing to one's welfare and attached importance to their acquisition accordingly. As a result, the goods that possessed prestige value came to be taken as standards wherewith to measure the amount of well-being. Insomuch that during the proprietary period we find utilities measured and values expressed in terms of cattle, land and the produce thereof, slaves, and the precious metals. To be convinced of this, we have only to refer to the Old Testament or turn to the pages of Homer. During the Dark Ages in Europe the same system was employed, and even in our own country the Southern planters reckoned their wealth and welfare in this way. So, taking the logic of the situation together with the facts as they are recorded, we shall not go far astray if we say that it was the development of the proprietary concept, resulting from the appropriation of natural resources for pastoral and agricultural purposes, that led to the establishment of the commodity standard of value.

With the introduction of the commercial era a new requirement became apparent. Not only was it as advantageous as before to have a commodity standard of value, it was furthermore necessary to adopt a commodity medium of exchange. In disposing of their surplus, men might very well have begun during the days of barter by accepting in return commodities that satisfied their immediate wants, "giving and receiving wine, for example, in exchange for corn and the like." But, as Aristotle added, "this sort of barter is not part of the money-making art, and is not contrary to nature, but is needed for the satisfaction of men's natural wants." When retail trade was established,—that is to say, when merchants exchanged and craftsmen produced for a profit,—these industrialists were

less inclined to accept in payment for their wares commodities that possessed use value alone; for, as their business prospered, the utility of the miscellaneous goods thus received must inevitably have declined with accumulation. To be sure of receiving full value in exchange, they naturally insisted on being paid in commodities whose utility was not likely to decline and whose value was generally recognized. Thus, in selecting a medium of exchange, commodities that possessed use value alone were excluded, and the choice was confined to the list of goods above referred to that possessed prestige value. Within this list, however, it was convenience that determined the choice. To serve as a medium of exchange, the commodity had to be divisible into small amounts without destroying the value of the individual units. This necessity excluded cattle, land, and slaves, and practically confined the choice to grain and the precious metals. Of these two commodities only the latter carried high value in small compass. It was for this reason, therefore, that the consensus of commercial opinion finally decided upon the precious metals to serve as the commodity standard of value and the commodity medium of exchange.

Much of this is familiar, too familiar, indeed, to call for further comment. The only point to be established—and I believe the point worth making—is that the precious metals were chosen to serve as standards of value and media of exchange, not, as so many have affirmed, because they were useful and at the same time convenient for the purpose (in fact, however convenient, if the precious metals were merely useful in the narrow sense of satisfying immediate wants, they could not have served as standards at all), but because they possessed prestige value. Long before the commercial era began, the precious metals, along with cattle, land, grain, slaves, and treasure of other sorts, served as standard commodities in terms of which the amount of well-being might be measured. Of this group of goods they were the ones found to be adapted to the further requirements of a medium of exchange, and they were accordingly selected for the purpose. Thus, though convenience undoubtedly entered in to determine the choice of the precious metals, the list of available commodities was already

limited to the few goods that had come to possess prestige value.

We might go further and show that, though exchange values can perfectly well be rated thus in terms of prestige values, they might also be rated in terms of an ideal unit of purchasing power without reference to any particular commodity. Indeed, with the development of the modern credit system, the dollar, though it still means, in last instance at least, so many ounces of gold, is gradually becoming idealized in this way into an abstract unit of purchasing power. Thus in the end, no doubt, instead of exchange values being rated as before in terms of prestige value, prestige value will be rated in terms of exchange value, or in ideal units of purchasing power. But such a study is beyond the immediate mark. My purpose in the present paper has been simply to establish the concept of prestige value.

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